

# GNYHA POSITION PAPER

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## THE RESIDENT PHYSICIAN SHORTAGE REDUCTION ACT OF 2023

On April 26, 2023, Senator Bob Menendez (D-NJ), Senate Majority Leader Chuck Schumer (D-NY), Senator John Boozman (R-AR), and Senator Susan Collins (R-ME) introduced the *Resident Physician Shortage Reduction Act of 2023*.

Strongly supported by GNYHA, the bill would increase the number of residency positions that would be eligible for Medicare direct graduate medical education (DGME) and indirect medical education (IME) support. The significant health care needs of the nation's aging population have demonstrated the necessity of additional Medicare support to expand the physician workforce pipeline. The bill underscores the critical importance of teaching hospitals and their mission to train medical residents and the need to address the nation's looming physician shortage.

### The Resident Physician Shortage Reduction Act

The Balanced Budget Act of 1997 (BBA) capped the number of residents for whom each teaching hospital is eligible to receive Medicare DGME and IME reimbursement. The Consolidated Appropriations Act, 2021 created 1,000 new direct DGME and IME slots and the Consolidated Appropriations Act, 2023 added an additional 200 slots—the only new reimbursable Medicare residency slots for urban teaching hospitals since the BBA's enactment. *The Resident Physician Shortage Reduction Act of 2023* would further increase the number of new reimbursable Medicare residency slots nationally by 14,000.

### Distribution Methodology

*The Resident Physician Shortage Reduction Act of 2023* directs the Centers for Medicare & Medicaid Services (CMS) to create new reimbursable Medicare residency slots. The bill would increase the number of slots nationally by 2,000 each year from 2025 through 2031, for a total of 14,000 slots. If CMS determines that there are remaining slots available after 2031, it must conduct additional distribution rounds until all 14,000 slots have been distributed. An individual hospital may not receive more than 75 of these newly

available slots, the new slots in the Consolidated Appropriations Act, 2021, and the new slots in the Consolidated Appropriations Act, 2023. However, *The Resident Physician Shortage Reduction Act of 2023* would authorize CMS to increase this hospital-specific limitation if more slots are available than the number requested through eligible applications. In determining which hospitals will receive slots, CMS must consider the likelihood of a teaching hospital filling the positions within the first five cost reporting years beginning after the effective date of the DGME and/or IME cap increase.

### Use of the Slots

The bill does not allow for any new reimbursable Medicare slots to be used for residents currently in training above hospitals' applicable caps. CMS must provide a minimum of 10% of the awarded slots to each of the following four priority categories:

- Hospitals located in a rural area or treated as being located in a rural area (i.e., urban hospitals that reclassify as rural for acute inpatient payment purposes)
- Hospitals training residents above their DGME and IME



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caps, taking into account cap increases and reductions previously made to hospitals through slot redistribution programs

- Hospitals located in states with new medical schools or locations/branch campuses as of January 1, 2000
- Hospitals that serve areas designated as Federal health professional shortage areas

The bill also specifies that in distributing slots, CMS cannot use a prioritization methodology that combines the four eligible categories and cannot implement an overarching prioritization based on health professional shortage areas. This special rule was included to ensure that eligible teaching hospitals would not be unfairly disadvantaged during

CMS rulemaking and the agency would closely follow Congressional intent.

### Reimbursement Level for New Slots

New slots would be reimbursed at a hospital's otherwise applicable per resident amount for GME purposes and using the usual adjustment factor for IME reimbursement purposes.

### Study on the Promotion of Diversity

The bill requires the Comptroller General to develop a study on strategies to increase the diversity of the health professional workforce.

**GNYHA Position:** GNYHA strongly supports the *Resident Physician Shortage Reduction Act of 2023*. The bill supports teaching hospitals, their essential role in the health care system, and the continuing need to bolster the physician workforce.